

Table of Contents**AB ACQUISITION LLC AND SUBSIDIARIES****Notes to Condensed Consolidated Financial Statements (unaudited)**

Albertson's ABL: Borrowings outstanding under the Albertson's ABL as of June 20, 2015 consisted of loans of \$541.0 million and letters of credit ("LOC") issued under the LOC sub-facility of \$130.1 million. Borrowings outstanding under the Albertson's ABL as of February 28, 2015, consisted of loans of \$980.0 million and letters of credit issued under the LOC sub-facility of \$272.1 million.

NAI ABL: The NAI ABL had no outstanding loan borrowings as of June 20, 2015 or February 28, 2015. The NAI ABL LOC sub-facility had outstanding issued letters of credit of \$530.0 million and \$418.7 million as of June 20, 2015 and February 28, 2015, respectively.

The amended NAI LOC facility had no outstanding issued letters of credit as of June 20, 2015 and \$104.6 million outstanding issued letters of credit as of February 28, 2015.

The Albertson's ABL contains no covenants unless and until (i) an event of default under the Albertson's ABL has occurred and is continuing or (ii) the failure of Albertson's to maintain excess availability of at least 10.0% of the aggregate commitments at any time or (iii) excess availability is less than \$200 million. If any of such events occur, then Albertson's is required to maintain a fixed charge coverage ratio of 1.0 to 1.0 until such event of default is cured or waived or the 30th day after the other trigger event ceases to exist.

The NAI ABL contains no covenants unless and until (i) an event of default under the NAI ABL has occurred and is continuing or (ii) the failure of NAI to maintain excess availability of at least 10.0% of the aggregate commitments at any time. If any of such events occur, NAI is required to maintain a fixed charge coverage ratio of 1.0 to 1.0 until such event of default is cured or waived or the 30th day after the other trigger event ceases to exist.

The Company did not trigger any defaults during the 16 weeks ended June 20, 2015.

Capitalized Lease Obligations

The Company's total capitalized lease obligations were \$963.1 million and \$974.7 million as of June 20, 2015 and February 28, 2015, respectively. Current maturities of capitalized lease obligations were \$106.2 million and \$121.1 million and long-term maturities were \$856.9 million and \$853.6 million, as of June 20, 2015 and February 28, 2015, respectively.

NOTE 5—EQUITY-BASED COMPENSATION**Phantom Units**

During the 16 weeks ended June 20, 2015, the Company issued 11.5 million Phantom Units to its employees and directors, of which 7.2 million Phantom Units were granted. Fifty percent of the Phantom Units are time-based and will vest in four annual installments on the last day of the company's fiscal year, commencing with the last day of the fiscal year in which the Phantom Units are granted, subject to continued service through each vesting date. The remaining fifty percent of the Phantom Units are performance-based units that will vest in four annual installments on the last day of the company's fiscal year, commencing with the last day of the fiscal year in which the Phantom Units are granted, subject to continued service through each vesting date, and the achievement of annual performance targets. Notwithstanding the foregoing, one director received a grant of 100,000 Phantom Units that will vest 100% on the last day of fiscal year 2015 subject to the director's continued service through such vesting date, or earlier upon the director's death or termination without cause.